

Havells India to set up two new plants to ramp up capacity



Anil Rai Gupta
CMD, Havells India
talks to Sanjeev Sharma

After divesting its equity in MNC lighting company, Sylvania, electrical goods company Havells is now planning to utilise the capital to grow its domestic business. Anil Rai Gupta, Chairman and Managing Director, Havells India, says the company will also retain cash for possible acquisitions in the future.

Q. Havells is among the few companies which have been able to divest their stake in international acquisition with a profit. What was the thought behind divesting in Sylvania?

A: Our decision to divest 80% stake in Sylvania to Shanghai-based Feilo Acoustics for over Rs 1,070 crore was a well thought of decision aimed at consolidating our position in the domestic market and utilise the funds for better growth prospects in the future.

In 2007, when we bought Sylvania for 227.5 million, we were looking at generating 15-20% return on capital and after a successful turnaround of Sylvania, we were



“After divesting stake in Sylvania, we are planning to utilise the capital to grow our domestic business. We will also retain the cash for possible acquisitions in the future”

moving towards this target. However, since then, the global market shifted from conventional lighting to LED lighting.

With our expertise in the electrical industry, we transformed Sylvania from a traditional lighting company to a new-age lighting company where LED accounted for nearly 50% of sales in both Europe and Latin America. But in this transition, we were unable to generate the same kind of return on capital. Hence, we thought it would be appropriate to divest our stake in Sylvania at a profit of around Rs 360 crore and utilise the capital in a better way.

Q. Since your company has now become cash-rich after the stake sale in Syl-

vania, how do you plan to utilise the funds?

A: With this stake sale, we are now planning to utilise the capital to grow our domestic business. We will also retain the cash for possible acquisitions in the future.

Q. What are your expansion plans?

A: We are planning to set up two new manufacturing plants in Karnataka and Assam to enhance our production capacity. We have finalised 62-acre land in Karnataka at Tumakuru for production of existing products such as cable and wire, MCB, LED, electronics and solar lights. Our project in Assam is at early stage of conceptualisation. Apart from this, we have recently forayed into new and innovative product segments of ‘Home Automation’ and ‘Air Purifier’. We are continuously looking to launch innovative and quality products for our customers.

Q. How has the slowdown in the power sector impacted the company’s growth in last fiscal year and what are your projections for this year?

A: The slow growth of Indian economy has impacted growth in both residential and industrial segments for the past few years, which are core business sectors for Havells. This also impacted our business growth in 2015-16 as our topline and

bottom-line grew by 4% to Rs 5,437 crore and 10% to Rs 513 crore, respectively. But the positive aspect is that we have seen economy picking up steam in the second half of FY16 and despite a largely flat first half, we were able to increase our revenue by almost 9% in the October-March period. We believe that Indian economy is at the cusp of a sustained turnaround with the government’s spadework in the past two years in areas such as power, road and housing that are beginning to show results. We are looking to invest in brand building, expand both our reach and product category in the current year and expect double-digit growth by the end of this fiscal.

Q. What was your idea behind executing “Mai pankha hoon” ad campaign? Also, why the same was withdrawn after it sparked social media backlash?

A: The underline theme of the ad campaign is social ills afflicting our society and how change in our thought process can help overcome these flaws. The ad campaign highlights social evils like corruption and misuse of official power, where fan is the protagonist and it represents change in the society. As a responsible brand, we withdrew one of the sequences as it seemed to have hurt the sentiments of some viewers.